TO ALL MEMBERS OF THE BOARD OF GOVERNORS FOR THE LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION AND THE PUBLIC

RE: LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
BOARD OF GOVERNORS MEETING
JANUARY 16, 2014 MINUTES

Ladies and Gentlemen:

A meeting of the Governing Board for the Louisiana Citizens Property Insurance Corporation was held on Thursday, January 16, 2014. The meeting was conducted at the offices of the Department of Insurance located at 1702 N. Third St. Baton Rouge, Louisiana, Hearing Room, commencing at 1:00 P.M.

Present were: Denise Brignac, Chairwoman
Eric Berger
Rep. Cromer (arrived following roll call)
Gene Galligan
Senator Eric LaFleur (arrived following roll call)
Craig LeBouef
Eugene Montgomery
Senator Dan Morrish
Jim Napper
Johnny Reeves
William (Bill) Starr

Absent were: Fred Bosse
Sam Little

Also present: Commissioner Donelon
Dave Thomas, CEO
Steve Cottrell
Paige Harper
Ricky Lindsey
Quin Netzel
Vijay Ramachandran
Derek Haney

Chairwoman’s Report

Chairwoman Brignac called the meeting to order at 1:02 p.m., asking Ms. Harper to call roll. There being a quorum present, she began her report by noting that there are three vacancies on the Board, two at-large Governor appointments and one new Commissioner of Insurance
appointment added to the Board during the last Legislative session. Also noted was that once those seats have been filled, new Committee assignments will be made and brought to the Board for a vote; hopefully in March. Chairwoman Brignac then addressed the next agenda item, the minutes from the previous Board meeting on November 14, 2013. After reviewing the minutes, Mr. LeBouef moved to approve the minutes as proposed. Mr. Napper seconded the motion. With no further discussion on the motion forthcoming, a vote was taken the motion passed unanimously.

The next item on the agenda was the CEO Report.

CEO Report

Mr. Thomas began by noting that Mr. Eaton did not attend the Board meeting as he was in Metairie getting the new office space completed as quickly as possible. He reported that the Accounting and IT departments joined the Claim department in the Galleria office in December. The balance of the company is expected to move over the first weekend in February. Mr. Thomas then asked Mr. Cottrell to update the Board on the company’s financials.

A) 2013 Financials. Mr. Cottrell began by specifically bringing attention to the $8.1 million deposit LCPI. C was required to deposit with the Department of Insurance in order to appeal the Written Order of the Commissioner of Insurance related to the $65 application fee issue and another $40 million shown as pending to be paid in the Oubre settlement. He continued by noting that while the company was negative in surplus at the end of November 2013, the hope is that the year-end financials will find the company positive in surplus; the only caveat is that the $16 million refund related to the Commissioner’s $65 application fee Written Order may prevent that from occurring.

B) Management Report. Mr. Cottrell explained to the Board that the full Management Report is 60 to 70 pages long, so the report in the Board Book is a summary. It summarizes the activity within the company from premiums earned to accounts to depopulation. All the things that are relevant monitoring and measuring aspects of the financials. After answering a few questions from Board members, Mr. Cottrell moved to the next item on the agenda, the proposed Personal Lines Rate Filing.

C) Personal Lines Rate Filing Proposal. Mr. Cottrell noted that LCPI is required by statute to review rates annually and that at a previous Board meeting the Board addressed Commercial lines rates. At this meeting the topic is the proposed Personal Lines rates. He began by summarizing the process used in formulating the proposed rates, starting with the actuarial rates. Mr. Cottrell explained that LCPI used our premiums, losses, expenses, and a blend of models that projected storm costs based on projected types of hurricane events to calculate actuarial rates for LCPI. LCPI, in conjunction with the Department of Insurance, believes that a blend of the models will yield a more consistent, less variable, result than only using one model, which is why the decision was made to use a blend. After discussing the blended models in more depth, as well as answering questions about the risk loads used, he noted that the Actuarial Committee met prior to the Board meeting to review the proposed rate filing. They were particularly interested in the fact that approximately 100 insurance companies are
writing the coverages LCPIC writes in the state, 71 of which met the statutory qualifications to have their rates be considered in our ratemaking process. Mr. Cottrell went on to explain that in the FAIR Plan, where the LCPIC maintains 90% of its premium and is market rate driven, the proposed rate increase is 6.7%. In the Coastal Plan, which is mainly actuarially driven, the proposed rate change is a decrease of 8%. The overall proposed rate change is a rate increase of 5.2%. After a lengthy discussion, Mr. Berger moved that the Board approve the filing of the proposed personal lines rate filing with the Louisiana Department of Insurance, as well as approve the formulas in calculating the proposed rates. Mr. Galligan seconded the motion. With no further discussion on the motion forthcoming Chairwoman Brignac called for a vote. The motion passed by a majority with two opposing votes by Mr. Napper and Mr. Starr.

D) Proposed Purchasing Process Guidelines. The next item on the agenda was the proposed Purchasing Process Guidelines. Mr. Cottrell asked that the Board consider the proposed guidelines, which would not alter the current authority of LCPIC management with regard to entering into contracts for certain dollar amounts. Where Board approval is needed currently, Board approval would still be required under the proposed guidelines. The purpose of the guidelines is to better define the processes that should be used when determining the vendors with whom to enter into a contract. Mr. Montgomery moved to approve the proposed guidelines for the purchase of goods and services. Mr. Reeves seconded. With no further discussion on the motion forthcoming, Chairwoman Brignac called for a vote. With no opposition, the motion passed unanimously.

E) Regions Bank Signature Resolution. Mr. Cottrell explained to the Board that currently he, Mr. Thomas, Mr. Ramachandran and Mr. Netzel were all authorized to sign checks from the corporate bank account with Regions Bank. He would like to include Ms. Harper, General Counsel and Chief Administrative Officer, and Ricky Lindsey, the CIO. The advantage of having a broader group of signatories is mainly to accommodate during vacation times and when two signatures are needed on checks (over $100,000). To add those signatories, the Board must approve an official resolution. Sen. LaFleur moved to approve the resolution to add the signatories to the account. Mr. Reeves seconded the resolution. With no further discussion on the motion forthcoming, Chairwoman Brignac called for a vote. The motion passed by a majority with one opposing vote by Rep. Cromer.

F) Depopulation Update. Next, Mr. Ramachandran updated the Board on the latest round of depopulation with an assumption date of December 1, 2013. He reported that three companies ended up taking out 14,268 policies, representing premium of approximately $28.5 million and an insured value of over $2 billion. That number represents 35% of the 40,000 policies requested. Over half of the policies taken out were wind and hail only policies. That leaves LCPIC with a personal lines policy count of less than 88,000. After a short discussion, Chairwoman Brignac moved to the next item on the agenda.

G) Complaints. Ms. Harper reported to the Board that the total number of complaints received from the Department of Insurance in November and December 2013 was five. After responding to a general question about complaints, the CEO report concluded.

The last item on the agenda was the Executive Session. Prior to asking for a motion to enter into Executive Session, Chairwoman Brignac asked if anyone from the public wished to address the
Board. When no one came forward, Mr. Montgomery moved that the Board enter into Executive Session to discuss pending and potential litigation. Rep. Cromer seconded the motion. With no discussion on the motion forthcoming, Chairwoman Brignac asked for a roll call vote. The motion was approved unanimously and all members of the audience except LCPIC staff were asked to leave.

At the conclusion of the Executive Session, Rep. Cromer moved that the Board reenter the public forum. Mr. Montgomery seconded the motion. With no discussion on the motion forthcoming, Chairwoman Brignac called for a roll call vote. The motion passed unanimously. Chairwoman Brignac asked that the record reflect that the Board did not take any formal action while in Executive Session.

With the conclusion of the agenda, Mr. Berger moved to adjourn the meeting; Mr. Reeves seconded. There being no opposition, the meeting was adjourned.
Approved:

I hereby certify that these are a true and correct copy of the January 16, 2014 minutes that were adopted by the Board of Directors of Louisiana Citizens Property Insurance Corporation on March 25, 2014.

Paige M. Harper, Secretary